



bridges.com

2001

SECOND QUARTER REPORT
SIX MONTHS ENDING MAY 31

bridges.com
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Toronto Stock Exchange: BIT

C E O ' S M E S S A G E

Bridges is pleased with its progress in core market development, product development and infrastructure build during the second quarter of 2001. Revenue growth continued at its strong pace, with the first six months tracking 92 per cent higher than the same period in 2000. Bridges' rapid growth over the past five years was recognized in May by Profit Magazine, which identified Bridges as the fifth fastest-growing company in Canada, generating five-year revenue growth of 10,222 per cent.

Revenue in the first six months was \$6,650,060 — 92 per cent higher than the \$3,466,178 generated in the first two quarters of 2000. Revenue was supported by continued resubscriptions to our Choices and Career Explorer products. 91 per cent of revenue flows from Bridges' core business of selling digital subscription products to schools, colleges and government agencies in North America. The remaining 9 per cent was generated from training (5.6 per cent), as well as the sale of Paws in Jobland — a CD-ROM product for elementary schools — and consumer products such as Career Advantage, a home-use version of Career Explorer (3.4 per cent).

Bridges reported an EBITDA loss of \$840,142 for the first six months of fiscal 2001. This compares to a six-month loss in fiscal 2000 of \$438,455. The Company is on track for strong EBITDA growth in 2001. Bridges traditionally generates 33 per cent of revenue and 46 per cent of expenses in the first half of its fiscal year.

The first six months of 2001 featured continued integration of the Careerware business acquired in fiscal 2000. The initial integration of administrative and financial functions was completed during the quarter, as was technical customization of a new customer relationship management (CRM) tool. Regional sales and support teams continued in their development of the new team and selling format, as did development of several new unified marketing materials. All production is on schedule, with version releases targeted for one month earlier than previous years for our U.S. Choices line of products. In the first six months, Bridges' online resources were used at an annualized rate of 46 million page views per year. Early-stage progress continued on new-venture business interests, including the integration of e-application services on our CD-ROM and online services, and research into corporate sales opportunities.

In March, Bridges announced a Normal Course Issuer Bid, enabling the company to repurchase up to 5 per cent of its shares through the Toronto Stock Exchange. During the quarter, 71,400 shares were repurchased, of which 69,300 shares were cancelled, leaving 13,164,850 shares outstanding in the company.



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CORPORATE INFORMATION

Board of Directors

John C. Simmons

Chairman, Bridges.com Inc.
Chairman, Integrated Paving Concepts Inc.
Director, Epic Biosonics Inc.

Douglas J. Manning

Chief Executive Officer and President of
Bridges.com Inc.

Edward J. Hall

Co-President of Canadian Adult
Communities Ltd.

Terry M. Holland

Chief Executive Officer and President of
Trimin Capital Corp.

Management & Officers

Douglas J. Manning

Chief Executive Officer and President

John B. Walker

Chief Financial Officer

Claude A. Lapointe

Executive VP, Sales and Marketing

Michael D. Mooney

Executive VP, Information Technology

Donald A. Phillips

Executive VP, Product Development

Norman R. Thompson

Executive VP, Corporate Development

Michael S. Martin

VP, Sales

David D.J. Cousins

VP, Human Resources and Secretary

Diane B. Stringer

VP, Development Solutions

Louise Logie-Verkerk

VP, Publishing

Auditors

Deloitte & Touche LLP

Vancouver, British Columbia, Canada

Registered Office

Burstall Winger LLP

Calgary, Alberta, Canada

Corporate Offices

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Ottawa, Ontario K1G 6C9
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INVESTOR INFORMATION

Shareholder Information

Stock Listing

The common shares of Bridges.com Inc. are listed on the Toronto Stock Exchange under the trading symbol BIT.

Investor Relations

Inquiries about the company and requests for information should be directed to:

Norman R. Thompson

Executive VP, Corporate Development

Rick B. MacCabe

Investor Relations

1-800-281-1168 or 1-250-869-4200

investor-relations@bridges.com

Web Sites

For more information on our products and services, visit our Web sites at
bridges.com
corporate.bridges.com

Registrar & Transfer Agent

CIBC Mellon Trust Company

Calgary, Alberta, Canada
Toronto, Ontario, Canada

Net loss for the period was \$2,014,175, or 15 cents per share. This loss includes \$1,938,516 in the amortization of goodwill, trademarks and other intangibles resulting from the acquisition of Careerware. The Company is in a good position to show strong gains in revenue and EBITDA during the third and fourth quarters of 2001.

Third Quarter Objectives

2002 Planning – During the summer months, staff at Bridges will be developing strategic and tactical plans to achieve key 2002 business metrics, targeted for six planning areas:

- ▶ Core Business Growth – Bridges' core business is defined as subscription sales to schools, colleges and government agencies in North America. The Company has targeted 21,000 subscribing sites in North America by the end of fiscal 2003.
- ▶ Training Initiatives – Bridges will fill an emerging need for professional development in e-learning solutions for schools by providing educators with face-to-face, telephone-based, and self-directed training opportunities. These sessions increase use and promote resubscriptions to our resources.
- ▶ E-applications – working with leading market partners, Bridges will provide students with online access to college e-applications, test preparation e-applications, and e-applications for financial assistance.
- ▶ Corporate Solutions – Working with leading distributors to corporations, Bridges will provide customized versions of its successful adult e-guidance tools to support outplacement services and staff retention.
- ▶ Staff Development – Although 91 per cent of staff indicated in a recent survey that they enjoy the work they do at Bridges, several initiatives will be implemented to position the Company as a leader in the development of staff skills, credentials, experiences and personal networks.
- ▶ Productivity – Bridges seeks year-over-year to continuously improve its productivity, or its ratio of EBITDA to revenue.

The 2002 business plan will be presented to Bridges' board of directors in September.

Core Business Growth – Approximately 30 per cent of 2001 sales are projected for completion in the third quarter. Sales, support and administrative teams are particularly busy in the next six months, dealing with new and renewed subscriptions. A new customer retention team has been created to proactively engage the small percentage of customers who fail to renew their subscriptions. The goal of this team is to improve the already strong 90 per cent rate of re-subscription that Bridges currently enjoys.

Product Enhancement – Revenue-generating online college and financial aid application features have been added to Bridges products distributed to secondary schools. Through these e-application services, Bridges generates origination fees for financial aid and college admission applications processed by strategically placed partners. Other new features and enhancements to the Company's Choices, eChoices, Career Explorer, Career Futures, and Career Aptitude Survey will be released to subscribers in Q3.

Technical Development – Bridges' new CRM solution will be released in Q3, with extensive commitment to staff training and continual development. Bridges' comprehensive customer service model is enabled by the integration of this technology into our sales and support systems. Development of our publishing infrastructure will continue, with expanded scalability and redundancy in our hardware and software systems.



Douglas J. Manning
Chief Executive Officer and President

C O N S O L I D A T E D
BALANCE SHEETS
 BRIDGES.COM INC.

	May 31 2001 (unaudited)	November 30 2000 (audited)
ASSETS		
Current		
Cash and cash equivalents	\$ 7,212,941	\$ 8,232,897
Accounts receivable	3,135,007	5,179,998
Prepaid expenses	616,536	612,415
	10,964,484	14,025,310
Capital assets (Note 2)	3,821,665	2,538,408
Goodwill and other intangibles, net (Note 3)	5,015,861	6,954,379
Future income taxes	1,553,451	642,599
	\$ 21,356,461	\$ 24,160,696
LIABILITIES		
Current		
Accounts payable and accrued liabilities	\$ 1,621,190	\$ 1,842,467
Deferred revenue	2,894,835	3,257,961
Current portion of capital lease obligations	138,061	127,738
	4,654,086	5,228,166
Capital lease obligations, net of current portion	173,493	245,213
	4,827,579	5,473,379
Commitments (Note 4)		
SHAREHOLDERS' EQUITY		
Common stock (Note 5)	19,556,787	19,643,889
Deficit	(3,028,905)	(956,572)
	16,527,882	18,687,317
	\$ 21,355,461	\$ 24,160,696

See Accompanying Notes to the Consolidated Financial Statements.

**C O N S O L I D A T E D
STATEMENTS OF OPERATIONS AND DEFICIT
BRIDGES.COM INC. (unaudited)**

	Three months ended May 31, 2001	Three months ended May 31, 2000	Six months May 31, 2001	Six months May 31, 2000
REVENUE	\$ 3,089,782	\$ 2,423,606	\$ 6,650,080	\$ 3,466,178
COSTS OF REVENUE	994,352	823,448	2,229,429	1,131,420
GROSS MARGIN	2,095,430	1,600,158	4,420,651	2,334,758
EXPENSES				
Sales and marketing	1,545,838	988,511	3,118,660	1,393,546
Research and development	169,241	181,431	287,413	362,862
General and administrative	870,542	642,820	1,854,700	1,016,795
	2,585,621	1,812,762	5,260,773	2,773,203
LOSS BEFORE AMORTIZATION, INTEREST AND TAXES	(490,191)	(212,604)	(840,142)	(438,445)
Amortization of capital assets	(187,608)	(121,831)	(388,974)	(218,294)
Amortization of other intangibles	(550,174)	(366,782)	(1,100,348)	(366,782)
Other income	136,291	77,351	242,605	92,471
LOSS BEFORE INCOME TAXES AND AMORTIZATION OF GOODWILL	(1,091,682)	(623,866)	(2,086,859)	(931,050)
Income tax recovery	(476,898)	(280,739)	(910,852)	(418,972)
NET LOSS BEFORE AMORTIZATION OF GOODWILL	(614,784)	(343,127)	(1,176,007)	(512,078)
Amortization of goodwill	(419,084)	(174,431)	(838,168)	(174,431)
NET LOSS	(1,033,868)	(517,558)	(2,014,175)	(686,509)
DEFICIT, BEGINNING OF PERIOD	(1,936,879)	(313,100)	(956,572)	(144,149)
Excess of purchase cost over carrying value of common shares	(58,158)	-	(58,158)	-
DEFICIT, END OF PERIOD	\$ (3,028,905)	\$ (830,658)	\$ (3,028,905)	\$ (830,658)
Basic loss before amortization of goodwill per share	\$ (0.05)	\$ (0.03)	\$ (0.09)	\$ (0.05)
Basic loss per share	\$ (0.08)	\$ (0.02)	\$ (0.15)	\$ (0.07)
Weighted average number of shares used to calculate basic loss per share	13,224,157	10,529,250	13,224,157	10,529,250

See Accompanying Notes to the Consolidated Financial Statements.

C O N S O L I D A T E D
STATEMENTS OF CASH FLOWS
 BRIDGES.COM INC. (unaudited)

	Three months ended May 31, 2001	Three months ended May 31, 2000	Six months ended May 31, 2001	Six months ended May 31, 2000
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CASH FLOWS FROM OPERATING ACTIVITIES

Net loss for the period	\$ (1,033,868)	\$ (517,558)	\$ (2,014,175)	\$ (886,509)
Items not affecting cash				
Amortization of capital assets	187,609	121,831	388,974	218,294
Amortization of other intangibles	550,174	366,782	1,100,348	366,782
Amortization of goodwill	419,084	174,431	838,168	174,431
Income tax recovery	(476,898)	(754,748)	(910,852)	(892,981)
Changes in operating assets and liabilities:				
Accounts receivable	303,437	(324,370)	2,044,990	88,409
Prepaid expenses and other	(34,324)	(55,556)	(4,120)	(65,639)
Accounts payable and accrued liabilities	80,139	557,133	(329,128)	300,868
Deferred revenue	191,606	229,295	(363,126)	82,547
	186,959	(202,760)	751,079	(413,798)

CASH FLOWS FROM INVESTING ACTIVITIES

Asset acquisition (Careeware division)	-	(11,430,236)	-	(11,430,236)
Deferred acquisition costs	-	576,250	-	-
Purchase of capital assets, net of related accounts payable	(844,560)	(60,557)	(1,564,378)	(107,909)
	(844,560)	(10,914,543)	(1,564,378)	(11,538,145)

CASH FLOWS FROM FINANCING ACTIVITIES

Issuance of special warrants	-	16,415,816	-	16,415,816
Issuance of common shares	662	476,968	20,561	532,268
Shares purchased for cancellation	(4,406)	-	(4,406)	-
Shares purchased and cancelled	(161,415)	-	(161,415)	-
Repayment of obligations under capital lease	(26,203)	-	(61,397)	-
	(191,362)	16,892,784	(206,657)	16,948,084

NET CASH INFLOW DURING THE PERIOD

(848,963) 5,775,481 (1,019,956) 4,996,141

CASH AND CASH EQUIVALENTS,

BEGINNING OF PERIOD 8,061,904 1,407,672 8,232,897 2,187,012

CASH AND CASH EQUIVALENTS, END

OF PERIOD \$ 7,212,941 \$ 7,183,153 \$ 7,212,941 \$ 7,183,153

Supplemental Cash Flow Disclosures:

Interest paid \$ 13,249 \$ 1,713 \$ 27,439 \$ 2,980

See Accompanying Notes to the Consolidated Financial Statements.

CONSOLIDATED FINANCIAL STATEMENTS OF BRIDGES.COM INC.

Six months ended May 31, 2001

1. BASIS OF PRESENTATION

The accompanying unaudited consolidated financial statements include all information and footnote disclosures required under Canadian generally accepted accounting principles for interim financial statements. In the opinion of management, all adjustments (consisting primarily of normal recurring adjustments) considered necessary for a fair presentation of the financial position, results of operations and cash flows as at May 31, 2001, and for all periods presented, have been included.

The unaudited consolidated balance sheet, consolidated statement of operations and deficit and consolidated statement of cash flows have been prepared in accordance with Canadian generally accepted accounting principles for interim financial statements. These interim financial statements follow the same accounting policies and methods of applications as the most recent annual financial statements dated November 30, 2000. These financial statements should be read in conjunction with the financial statements and notes thereto included in the Company's annual report for the fiscal year ended November 30, 2000.

2. CAPITAL ASSETS

	May 31, 2001		November 30, 2000	
	(Unaudited)			
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Furniture and equipment	\$ 321,112	\$ 64,088	\$ 257,024	\$ 107,323
Computer equipment	1,978,742	916,601	1,062,141	1,114,550
Online network infrastructure costs	3,734,732	1,471,426	2,263,306	1,267,807
Leasehold improvements	283,207	44,013	239,194	48,728
	\$ 6,317,793	\$ 2,486,128	\$ 3,821,665	\$ 2,538,408

The net book value of assets under capital lease at May 31, 2001, totalled \$277,210 (November 30, 2000 - \$346,120), net of accumulated amortization of \$175,241 (November 30, 2000 - \$106,331).

3. GOODWILL AND OTHER INTANGIBLES

	May 31, 2001		November 30, 2000	
	(Unaudited)			
Goodwill on acquisition of Careerware (net of accumulated amortization of \$1,955,724; November 30, 2000 - \$1,117,537)		\$ 3,073,281		\$ 3,911,449
Acquired software (net of accumulated amortization of \$2,440,701; November 30, 2000 - \$1,394,686)		1,743,358		2,789,374
Acquired trademarks (net of accumulated amortization of \$126,778; November 30, 2000 - \$72,444)		199,222		253,556
		\$ 5,015,861		\$ 6,954,379

4. COMMITMENTS

On December 20, 2000, the Company negotiated an operating line of credit with a Canadian commercial bank to borrow up to \$3,000,000, which bears interest at 150 basis points over market rates and is secured by a first charge and general security agreement over all assets. As at May 31, 2001, the Company had not drawn on this line.

On May 2, 2001 the Company entered into an agreement to lease additional office space at \$8,738 per month until December 31, 2006. The Company has the option as of August 31, 2003 to cancel the lease without penalty subject to a minimum 90-day notice period.

5. SHARE CAPITAL AND WARRANTS

(a) Common shares issued and outstanding	May 31, 2001		November 30, 2000	
	Shares (Unaudited)	Amount (Unaudited)	Shares	Amount
Balance, beginning of period	13,192,250	\$ 19,643,889	9,603,250	\$ 2,710,849
Conversion of Special Warrants (net of issue costs of \$1,740,014 and future income tax recovery of \$474,009)	-	-	3,250,000	16,771,495
Shares repurchased and held in treasury	(2,100)	(4,406)	-	-
Stock repurchased and cancelled	(69,300)	(103,257)	-	-
Stock options exercised	44,000	20,561	399,000	161,545
Balance, end of period	13,164,850	\$ 19,556,787	13,192,250	\$ 19,643,889

During the period, 69,300 shares were purchased at an average price of \$2.28 and a total cost of \$161,415, and cancelled. The excess of the carrying value of the common shares over the purchase cost, amounting to \$58,158 has been charged to deficit.

During the year ended November 30, 2000, the Company completed a special warrants private placement. The private placement consisted of 3,250,000 special warrants being issued with one half of a common share purchase warrant attached, for a total of 1,625,000 common share purchase warrants.

During the year ended November 30, 2000, all 3,250,000 special warrants were converted into 3,250,000 common shares.

On January 22, 2001, all of the 1,625,000 common share purchase warrants expired.

(b) Normal course issuer bid

On February 21, 2001, Bridges announced its intentions to make a normal course issuer bid. Under the terms of the bid the Company may, during the 12-month period beginning February 26, 2001, and ending February 25, 2002, purchase up to a maximum of 661,713 common shares in total. The actual number of common shares that may be purchased and the timing of any such purchases will be determined by the Company. The Company intends to cancel any common shares acquired under the bid.

(c) Loss per share

During the six month period ended May 31, 2001, the Company retroactively adopted the new CICA recommendations regarding earnings per share. For all periods presented, the adoption of the new standard had no impact on previously reported loss per share amounts.

(d) Common shares and other equity outstanding

As at June 25, 2001, there were 13,164,850 common shares issued and outstanding. As at June 25, 2001, there were 1,380,000 options issued and outstanding at exercise prices ranging from \$.40 to \$.70 with remaining weighted average contractual lives of 0.6 years to 5.0 years.

6. SEGMENTED INFORMATION

The Company manages its operations in one business segment, the development, marketing and delivery of career information database products and services through the Internet and on CD-ROM. All of the Company's long-lived assets are located in Canada. The Company attributes revenue among geographical areas based on the location of the customers involved.

	Three months ended May 31		Six months ended May 31,					
	2001	2000	2001	2000				
Canada	33%	\$ 1,026,173	24%	\$ 590,758	28%	\$ 1,894,328	22%	\$ 750,543
United States	67%	\$ 2,063,609	76%	\$ 1,842,848	72%	\$ 4,765,732	78%	\$ 2,715,635
		\$ 3,089,782		\$ 2,423,606		\$ 6,650,060		\$ 3,466,178

7. SUBSEQUENT EVENT

Effective June 11, 2001, the Company approved a Share Purchase Incentive Program for senior officers. Under the terms of this incentive program the Company would loan a maximum aggregate amount of \$750,000 to certain senior officers who do not currently have a significant equity stake in the Company and who are considered key to achieving the Company's longer-term objectives, to enable them to acquire common shares of the Company.

The loans would have a maximum term of five years and would bear interest at a rate of 5% per annum payable annually on December 31. Security for the loan would consist of a pledge of the common shares acquired under the loan plus a promissory note in an amount equal to 50% of the pledged common shares at the time the loan is called.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following comments should be read in conjunction with the Company's audited consolidated financial statements and notes thereto for the year ended November 30, 2000, and the unaudited interim consolidated financial statements and notes thereto for the six months ended May 31, 2001.

results for Careerware are included in the results of operations for the six months ended May 31, 2001, and for two of the six months ended May 31, 2000. The operating results of Careerware are included in the three months ending May 31, 2001, but only in the last two months of the three months ending May 31, 2000.

RESULTS OF OPERATIONS

During the year ended November 30, 2000, the Company acquired certain assets of Careerware. The results of operations for fiscal year ended November 30, 2000, included the operating results for Careerware from April 1, 2000, to November 30, 2000. As a result, the operating

Revenue Total revenue increased by 27% to \$3,089,782 for the three-month period ended May 31, 2001, from \$2,423,606 for the three-month period ended May 31, 2000. Total revenue increased by 92% to \$6,650,060 for the six

months ended May 31, 2001, from \$3,466,178 for the six months ended May 31, 2000. Revenue from the Company's U.S. subscribers accounted for \$2,063,609, or 67% of total revenue for the three months ended May 31, 2001; compared to \$1,842,848, or 76% of total revenue for the three months ended May 31, 2000. Revenue from the Company's U.S. subscribers accounted for \$4,765,732, or 72% of total revenue for the six months ended May 31, 2001; compared to \$2,715,635, or 78% of total revenue for the six months ended May 31, 2000.

Revenue from the Company's Canadian subscribers accounted for \$1,026,173, or 33% of total revenue for the three months ended May 31, 2001; compared to \$580,758 or 24% of total revenue for the three months ended May 31, 2000. Revenue from the Company's Canadian subscribers accounted for \$1,884,328, or 28% of the total revenue for the six months ended May 31, 2001; compared to \$750,543, or 22% of total revenue for the six months ended May 31, 2000.

Costs of Revenue and Gross Margin

Costs of revenue increased by 21% to \$994,352 for the three months ended May 31, 2001, from \$823,448 for the three months ended May 31, 2000. Costs of revenue increased by 97% to \$2,229,429 for the six months ended May 31, 2001, from \$1,131,420 for the six months ended May 31, 2000. As a percentage of revenue, costs of revenue decreased to 32% for the three months ended May 31, 2001, from 34% for the three months ended May 31, 2000. As a percentage of revenue, costs of revenue increased to 34% for the six months ended May 31, 2001, from 33% for the six months ended May 31, 2000. Improvements achieved in the last quarter are a result of efficiencies gained through the integration of Careerware. These second quarter improvements were realized at the same time as costs relating to the production cycle for fall product releases began to intensify. This production cycle began in April and reaches its peak in July.

The dollar increase in costs of revenue for the six months ended May 31, 2001, was primarily due to the increase in revenue-related costs, the expansion of staff and related production costs resulting from the acquisition of Careerware. The percentage increase in cost of revenue was primarily due to the higher marginal product costs for the Careerware line of products.

Gross margin increased by 31% to \$2,095,430 for the three months ended May 31, 2001, from \$1,600,158 for the three months ended May 31, 2000. Gross margin increased by 89% to \$4,420,631 for the six months ended May 31, 2001, from \$2,334,758 for the six months ended May 31, 2000. As a percentage of revenue, gross margin increased to 68% for the three months ended May 31, 2001, from 66% for the three months ended May 31, 2000. As a percentage of revenue, gross margin decreased to 66% for the six months ended May 31, 2001, from 67% for the six months ended May 31, 2000.

Sales and Marketing

Sales and marketing expense increased by 56% to \$1,545,838 in the three months ended May 31, 2001, from \$988,511 in the three months ended May 31, 2000. Sales

and marketing expense increased by 124% to \$3,118,660 in the six months ended May 31, 2001, from \$1,393,546 for the six months ended May 31, 2000. As a percentage of total revenue, sales and marketing expense increased to 50% in the three months ended May 31, 2001, from 41% in the three months ended May 31, 2000. As a percentage of total revenue, sales and marketing expense increased to 47% in the six months ended May 31, 2001, from 40% in the six months ending May 31, 2000.

The dollar increase in sales and marketing expense was primarily due to the increase in revenue-related costs, the increase of the number of sales and marketing staff and related expenses resulting from the acquisition of Careerware. The percentage increase in sales and marketing expense was primarily due to the higher marginal sales costs for the Careerware line of products.

Research and Development

Research and development expense consists primarily of salaries and other personnel-related costs of technical personnel associated with the Company's infrastructure build-up. All costs associated with product development are expensed through costs of revenue.

General and Administrative

General and administrative expense increased by 35% to \$870,542 for the three months ended May 31, 2001, from \$642,820 for the three months ended May 31, 2000. General and administrative expense increased by 82% to \$1,854,700 for the six months ended May 31, 2001, from \$1,016,795 for the six months ended May 31, 2000. As a percentage of total revenue, general and administrative expense increased to 28% for the three months ended May 31, 2001, from 27% for the three months ended May 31, 2000. As a percentage of total revenue, general and administrative expense decreased to 28% for the six months ended May 31, 2001, from 29% for the six months ended May 31, 2000.

The dollar increase in general and administrative expense was primarily due to the increase in personnel and associated costs related to the integration of the operations of Careerware and the investment in the infrastructure necessary to support the continued rapid growth of the Company.

The decrease in general and administrative expense as a percentage of total revenue was primarily due to the initial efficiencies gained through the acquisition of Careerware, centralization of services in Kelowna, and the overall increase in revenue.

Amortization

Amortization of capital assets increased by 54% to \$187,608 for the three months ended May 31, 2001, from \$121,831 for the three months ended May 31, 2000. Amortization of capital assets increased by 78% to \$388,974 for the six months ended May 31, 2001, from \$218,294 for the six months ended May 31, 2000. The increase relates to amortization of assets that resulted from the purchase of computer equipment related to staff increases and to upgrades to the Company's network infrastructure and from the assets acquired through the

acquisition of Careerware. As part of the Company's Internet infrastructure strategy which commenced in the fourth quarter of 2000, development of the Company's enhanced Internet infrastructure has been capitalized.

Amortization of intangibles increased to \$550,174 for the three months ended May 31, 2001, from \$366,782 for the three months ended May 31, 2000. Amortization of intangibles increased to \$1,100,348 for the six months ended May 31, 2001, from \$366,782 for the six months ended May 31, 2000. The increase relates to the rapid amortization (over periods of 24 to 36 months) of \$4,510,060 of intangibles that resulted from the acquisition of Careerware.

Amortization of goodwill increased to \$419,084 for the three months ended May 31, 2001, from \$174,431 for the three months ended May 31, 2000. Amortization of goodwill increased to \$838,168 for the six months ended May 31, 2001, from \$174,431 for the six months ended May 31, 2000. The increase relates to the rapid amortization (over 36 months) of \$5,029,006 of goodwill that resulted from the acquisition of Careerware.

Other Income

Other income consists of foreign exchange gains and losses and interest income which varies with funds on deposit.

Income Taxes

Income tax recovery increased to \$910,852 for the six months ended May 31, 2001, from \$418,972 for the six months ended May 31, 2000. The effective income tax rate was 44% for the six months ended May 31, 2001, and 45% for the six months ended May 31, 2000.

LIQUIDITY AND CAPITAL RESOURCES

Since its inception, the Company has financed its operations through a combination of a series of private and public sales of equity securities and cash generated by operations. The Company completed the six months ended May 31, 2001, with positive working capital of \$6,310,398 compared to \$8,797,144 as at November 30, 2000. The decrease in working capital is primarily due to the Company's investment in capital assets of \$1,672,229 (or \$1,564,378, net of related accounts payable) during the six months ended May 31, 2001. The Company generated cash from operating activities of \$751,079 for the six months ended May 31, 2001, up from cash used in operations of \$413,798 for the six months ended May 31, 2000. The increase for the six months ended May 31, 2001, over for the six months ended May 31, 2000, is consistent with the Company's expansion efforts. The Company is expecting cash provided by operating activities to continue to improve in fiscal 2001 as the Company's subscriber base continues to expand.

The Company completed the six months ended May 31, 2001, with cash and cash equivalents of \$7,212,941, a decrease of \$1,019,956 compared to \$8,232,897 as at November 30, 2000. Cash balances are held in general operating bank accounts, and cash equivalents are held in money market accounts, treasury bills, banker's acceptances or commercial paper.

Accounts receivable, prepaid expenses, accounts payable and accrued liabilities and deferred revenue were impacted by the Careerware acquisition made in fiscal 2000 and by the increased level of operations during the six months ended May 31, 2001.

The Company has a stock-based compensation plan under which any consideration paid by employees and directors on the exercise of stock options is credited to share capital. During the six months ended May 31, 2001, the Company granted 51,600 common share stock options at an average price of \$3.03 per share. In addition, 44,000 common share stock options were exercised at an average price of \$0.47 per share contributing \$20,561 in cash.

On December 20, 2000, the Company negotiated an operating line of credit with a Canadian Chartered bank of up to a maximum borrowing amount of \$3.0 million secured by a first charge and general security agreement over all assets. This line of credit bears interest at 150 basis points over market rates. At quarter end, the facility had not been drawn on.

Normal Course Issuer Bid

On February 21, 2001, the Company announced a normal course issuer bid. This allows the Company, during the 12-month period beginning February 26, 2001, and ending February 25, 2002, to purchase on the Toronto Stock Exchange up to a maximum of 661,713 common shares in total, being 5% of the 13,235,250 common shares issued and outstanding as at February 21, 2001. The Company intends to cancel any common shares acquired under the bid. As at May 31, 2001, 71,400 shares have been acquired under the bid of which 69,300 shares have been cancelled.

Forward-Looking Statements

Certain statements contained in this report, including statements which may contain words such as "could", "expect", "believe", "will" and similar expressions and statements relating to matters that are not historical facts, are forward-looking statements. Such forward-looking statements involve known and unknown risks and uncertainties which may cause the actual results, performances or achievements of Bridges to be materially different from any future results, performances or achievements expressed or imposed by such forward-looking statements. Such factors include: general economic and business conditions; stock market volatility; supply and demand for services offered by Bridges; changes in laws and regulations; Bridges' ability to compete successfully; protect its intellectual property rights, and adapt to technological advances and changing industry standards and other factors. The forward-looking statements in this report are based on management's reasonable beliefs as of the date of this report, and Bridges assumes no obligation to update them to reflect subsequent information or events. In light of the many risks and uncertainties that may cause future results to differ materially from those expected, the Company cannot give assurance that the forward-looking statements contained in this analysis will be realized. Forward-looking statements are not guarantees of future performance.